



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-17

Applicant: Hawaii Radiologic Associates, Ltd.
688 Kinoole St. #103
Hilo, Hawaii
Phone: 808-935-1825

Project Title: Establishment of Outpatient Computed Tomography
Scanner service at
77-311 Sunset Drive, Kailua-Kona, Hawaii

1. **TYPE OR ORGANIZATION:** (Please check all applicable)

Public	_____
Private	<u>X</u>
Non-profit	_____
For-profit	<u>X</u>
Individual	_____
Corporation	<u>X</u>
Partnership	_____
Limited Liability Corporation (LLC)	_____
Limited Liability Partnership (LLP)	_____
Other: _____	_____

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2. **PROJECT LOCATION INFORMATION:**

A. Project will be located in:

State Senate District Number: 3rd

State House District Number: 6th

County Council District Number: 8th

Neighborhood Board District Number (O`ahu only): n/a

B. Primary Service Area(s) of Project: (Please check all applicable)

Statewide:	_____
O`ahu-wide:	_____
Honolulu:	_____
Windward O`ahu:	_____
West O`ahu:	_____
Maui County:	_____
Kaua`i County:	_____
Hawai`i County:	<u>X</u>

3. **DOCUMENTATION** (Please attach the following to your application form):

A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
See Attachment 1

B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)
See Attachment 2

C. Your governing body: list by names, titles and address/phone numbers
See Attachment 3

D. If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:

- Articles of Incorporation Application #03-04 was filed in March 2003
- By-Laws Application #03-04 was filed in March 2003
- Partnership Agreements n/a
- Tax Key Number (project's location) 3rd / 7-7-9-8

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4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility		X			
Private Practice					

5. **TOTAL CAPITAL COST:** \$1,125,000

6. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

7. **CHANGE OF SERVICE.** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please consult Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

Light Speed Multi-Slice CT Scanning services at an outpatient radiology facility

8. **PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)**

A. List All Project Costs:

AMOUNT:

- | | | |
|----|--|------------------|
| 1. | Land Acquisition | _____ |
| 2. | Construction Contract | <u>\$200,000</u> |
| 3. | Fixed Equipment | <u>\$925,000</u> |
| 4. | Movable Equipment | _____ |
| 5. | Financing Costs | _____ |
| 6. | Fair Market Value of assets acquired by
lease, rent, donation, etc. | _____ |
| 7. | Other: _____ | _____ |

TOTAL PROJECT COST: \$1,125,000

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used:

1) Renovation estimate – Caffey Inc. (Design/Building Contractor)

2) Equipment price quote – GE Medical Systems

C. Source of Funds

AMOUNT:

- | | | |
|----|---------------------------------|--------------------|
| 1. | Cash | _____ |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | _____ |
| 6. | Other: <u>Conventional Loan</u> | <u>\$1,125,000</u> |

TOTAL SOURCE OF FUNDS: \$1,125,000

9. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- a) Date of site control for the proposed project,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project, and
- g) Date of commencement of operation.

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See Attachment 4

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the Certificate of Need.

10. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the Certificate of Need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

- a) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan
- b) Need and Accessibility
- c) Quality of Service/Care
- d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- e) Relationship to the Existing Health Care System
- f) Availability of Resources

Executive Summary

Hawaii Radiologic Associates, Ltd. (HRA) proposes to renovate a portion of its existing facility at 77-311 Sunset Drive, Kailua-Kona, and to acquire, install and operate a Light Speed Multi-Slice CT Scanner (the "Proposed CT Scanner").

HRA is a professional corporation that has provided radiology services to the Island of Hawaii since its incorporation as Hilo Radiologic Associates in 1972. (It subsequently changed its name to Hawaii Radiologic Associates, Ltd. in 1991). Currently, there are 12 radiologists consisting of 9 directors (owners) and 3 associates. All radiologists are board certified in either radiology or diagnostic radiology. In addition to the 12 radiologists, HRA employs 70 persons. Diagnostic imaging services are provided by to the entire Island of Hawaii. This includes 24 hours, 365 days per year coverage for all 3 major hospitals on the Island. HRA also owns 3 outpatient imaging centers, two in Hilo and one in Kona.

Relationship to the Hawaii Health Performance Plan (H2P2)

The Proposed CT Scanner is an accepted tool that is used to diagnose and assist with the treatment of many ailments and diseases and is an important device in providing medical care under current standards of care. The Proposed CT Scanner is consistent with many of the goals and objectives of H2P2. For example, it will assist in the early detection and diagnosis of treatable diseases, will help reduce morbidity and pain through timely and appropriate treatment, and is a cost-effective means of diagnosis. Additionally, new diagnostic tests will be available with the Proposed CT Scanner, including diagnostic CT angiography which can be performed instead of conventional angiography, a more invasive and risky procedure. The Proposed CT Scanner can also perform pulmonary arteriography, replacing or reducing the need for performing ventilation perfusion studies.

Need and Accessibility

There are 4 CT scanners on the Island of Hawaii, and each of these scanners is already performing in excess of the minimum threshold. Hilo Medical Center's CT scanner is probably already at its maximum capacity. By 2004, it is estimated that there will be 24,110 CT procedures needed on the Island of Hawaii based on population increases. If there are only 4 CT scanners, this would already result in approximately 6,027 procedures per CT scanner. Thus, a new CT scanner is needed to alleviate the projected demand for CT procedures over the next several years. Moreover, the above projection does not include the number of additional CT procedures that will be needed due to new CT applications and utilization of CT procedures over other less-appropriate modalities. Based on the projections set forth in Section B of this Application, the Proposed CT Scanner will meet the minimum threshold requirement by its second year of operations.

Quality of Service and Care

HRA has a 30-year history of providing quality service to its physicians and patients. The Proposed CT Scanner will add to HRA's existing services and allow HRA to have a more comprehensive imaging facility. The new diagnostic applications available with the Proposed CT Scanner will particularly improve the quality of care for certain patients, such as those utilizing CT angiography and pulmonary arteriography.

Cost and Finances

HRA has been in business on the Island of Hawaii for 30 years and is a financially sound company. Based on the projected volume, reimbursement and cost data provided, HRA does not believe there is any financial risk in this proposal. HMSA, Hawaii's largest provider of health care coverage, continues to cover and expand its reimbursement for CT services. HRA participates with all available insurers, including Medicare and Medicaid, and its charges are comparable with any other facility on the Island.

Relation to the Existing Health Care System

The Proposed CT Scanner will offer new diagnostic applications which will replace invasive and less appropriate procedures such as invasive conventional angiography or ventilation perfusion studies. In many cases, this will be the preferred outcome as it will translate to lower risks and more comfort to the patients. Every existing CT scanner on the Island of Hawaii is already performing in excess of the minimum threshold, and there should be minimal impact on the existing scanners. It is anticipated that existing scanners will either maintain or increase their volume over the next few years. HRA is in discussion with KCH about providing this service as a joint venture. (See Section E, Part 2 for a more detailed discussion about the joint venture.)

Availability of Resources

HRA already operates a CT system at its outpatient facility in East Hawaii and already provides other imaging services at the proposed site. Therefore, HRA already possesses the staff and expertise necessary to operate the Proposed CT Scanner. HRA currently employs 34 technologists and maintains an ongoing recruiting program. HRA is also participating with all 3 hospitals in forming a radiology technology school on the Island of Hawaii under the direction of Kapiolani Community College, which will start this fall.

Central Pacific Bank and Bank of Hawaii have indicated approval for the loan of capital funds necessary for this project.